

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
January 2004**

DATE: February 13, 2004

TO: All Civil Service/Exempt Departments

FROM: State Controller's Office
Don Ward, Operations Manager
Personnel/Payroll Operations
(916) 322-8805

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the January 8, 2004 Personnel/Payroll Committee (PPRC) Meeting and provides information for the March 11, 2004 meeting.

We would like to thank those department representatives that participated in the January meeting for their time and effort. There were 34 representatives from 24 departments that participated in this meeting.

Personnel/Payroll Review Committee
January 8, 2004 Meeting Notes

The meeting was called to order at 1:30 by Don Ward

Departments represented:

Air Resources Board, CalPERS, Community Services & Development, Consumer Affairs, Corporations, Corrections, Developmental Services, EDD, Forestry and Fire Protection, Franchise Tax Board, Health and Human Services Data Center, Insurance, Motor Vehicles, Peace Officers Standards & Training, Personnel Administration, Rehabilitation, Secretary of State, State Controllers Office, State Personnel Board, State Teachers Retirement System, Veterans Affairs and Water Resources.

Old Business:

None

New Business:

Agenda Items
Distribute Handout Materials
Approve Prior Meeting Notes
Guest Speakers
SCO Update
Department Issues/Concerns
Confirm Next Meeting Agenda, Time and Place

Discussion:

Approved November 2003 meeting notes.

Guest Speaker: Cheryl Salvador, CalPERS, Actuarial & Employer Services Division addressed the following:

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Additional Retirement Service Credit (ARSC): ARSC, also known as "Air Time", allows eligible members to purchase up to 5 years additional service credit if certain eligibility requirements are met. The members need to go to the CalPERS web site (www.calpers.ca.gov) for all of the information about this benefit. This service credit request is going to be handled a little bit different from our other requests. This is more of a self-service process. The member will be required to use the "Service Credit Cost Estimator" (on the web) to determine how much it will cost them to purchase the ARSC. They will also need to download the request form. If they have questions, they should look at the FAQ's on the web site before calling CalPERS.

Reduction in Pay in Return for PLP: As part of the bargaining unit agreements, most state employees are receiving a 5% reduction in pay in return for a personal leave day. In addition, the higher 5% pay rate these state employees would have earned prior to the reduction will be used for final compensation purposes if an employee chooses to retire.

In order to ensure proper service credit is credited to state employees, the 5% lower pay rate and the 5% lower earnings amount is currently being reported by SCO each month. It is anticipated that sometime in January, SCO will report retroactive transactions that will post the 5% higher pay rate to each employees' account for each month they would have earned that rate. This will allow retirement estimates and allowances to be calculated at the higher rate. Currently, the lower pay rate is being used on estimates and allowances. If someone is receiving an allowance based on the lower pay rate, CalPERS will adjust the member's retirement allowance within 60-90 days, once SCO sends us the retroactive transactions containing the higher pay rates.

SCO Update:

Forms W-2: The 2003 W-2s were mailed out by January 14, 2004. See Payroll Letter 03-020, dated November 21, 2003 for detailed information regarding the 2003 W-2s. Also, refer to Payroll Letter 04-001 dated January 5, 2004 regarding the mailing process, billing, etc. The total number of 2003 W-2s issued was 344,995.

Duplicate W-2s: We will no longer accept the form STD. 436, Request for Duplicate Form W-2 with revision dates prior to 9/97. If you do not have this revision, you can access it on the SCO web site.

W-2's with no address: We had 35 W-2s with no address and 8 with incorrect zip codes. These were mailed to the Transaction Supervisors attention in early January.

Warrants requiring redeposit: If you are holding payroll warrants that were issued in 2003 and they need to be returned for redeposit, get them in as soon as possible. The redeposit will generate a corrected W-2C for the 2003 year. Also, let your employees know this before they complete and file their tax returns.

In addition, when returning warrants, include the statement of earnings. When you don't return the statement of earnings, the redeposit becomes a manual process, which delays the redeposit. Also, make sure you enter the full SSN when returning an SCO warrant.

Employee phone calls: Do not refer your employees to our office to verify their mailing address for their W-2. We can not assist them. This is confidential information and protected in the same manner as the social security number. We are being told the personnel offices are referring the them to us.

MPC: Make sure that you are keying your MPC. We are finding 674s requesting transfers of funds and salary adjustments; yet, if the MPC had been keyed off, the transfer and adjustments

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would have issued. This is a very important part of the process. During the last few months, we've identified approximately 700 674s requesting these adjustments when they could have been issued automatically based on processing your MPC.

The Annual Tax Exemption Letters (10,866 CS and 4,383 CSU) were mailed to the Transaction Supervisors the last week of December. Effective 2/18/04, the exemption from withholding will expire unless renewed. The deadline for keying these is 2/4/04. If you have any questions regarding this information, please contact Chris Knutson, Tax Support Section at 322-8112.

Direct Deposit Posting Dates: We received a number of inquiries from State employees complaining about late direct deposit posting for master payroll, especially for the November and December 2003 pay periods. As you know, there have been no problems with the process, it's just a matter of educating the employees and providing them with the direct deposit posting dates. Please make sure you either provide your employee's a printed copy of this information or direct them to the SCO web site. To reduce some of the calls, we plan on issuing global messages this year identifying where the posting dates can be found on the SCO web site. The first global message is scheduled for March 2004.

Merit Award suggestions: Several suggestions were submitted requesting that we place the employee's telephone numbers on the EAR Form 686. The reasons given were that when an employee has a change of address there is also the chance that their telephone numbers have changed and the departments need to update this information on employment lists. PPSD does not maintain the employee's telephone number on our records nor do we have a need for it. As a courtesy to the departments, the EAR Form will be revised. We will do this when the current supply runs out. We'll add a space in section F (04) for the employee to enter their new telephone number(s) if they are on an employment list when they are doing an address change. This new field will not be audited by PPSD nor will it be entered on the EAR transaction in our system. The EAR Section F (04) is titled EMPLOYMENT LIST and the new wording will state "Check this box and enter your phone number (s) if your address is changing and your name appears on any departmental employment list." Lines are provided for Work Phone and Home Phone numbers. The instructions on the back of the EAR Form are also being changed to enter the same statement. Since there is no requirement that this be completed nor audited, we will not be sending out a Personnel Letter announcing this revision.

STD 674: The STD 674 is now available as a fill and print form on the DGS web site at: www.osp.dgs.ca.gov/StandardForms/Default.htm.

Tax changes: The Social Security maximum increased to \$87,900 effective 1/1/04. Also, State tax rates are changing and are reflected on our paycheck calculator.

IRS lock-in letters: We sent you information in November explaining the new process and included a person for you to contact if you had any problems with the processing of the IRS lock-in letters. We are finding that copies of this letter are being provided to employees who are calling our office. Please do not give our phone numbers to your employees.

Question/Answers:

Question: What is the cost for a replacement W-2?

Answer: The cost is \$8.50 per W-2. You can find this information in the PPM and on the SCO web site.

Question: What does an employee's tax exempt status revert to when it expires?

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Answer: Single and zero.

Question: When you modify the EAR form, will you also ask that the zip code be modified to include the last four digits of the zip code? I've raised the question before, this information obviously means something to the postal carriers. If you are going to modify the form this would be a good time to offer this option on the form.

Answer: We looked into changing the EAR to include the last four digits of the zip code on the Employment History Data Base. Unfortunately, it would require a significant amount of programming to make this change. It is possible to modify the EAR form to include the additional digits for the zip code, without modifying the system. However, we'll need to discuss this further at the next PPRC meeting to determine the justification for this change.

Question: Regarding the issue of blocking out the SSN, our staff is asking about the garnishment form, CD155 that is received with the garnishment warrant and forwarded to the family support and the sheriffs. Are we supposed to be blocking out the SSNs based on the new IRS law? Will this be a problem for the family support and the sheriffs in not being able to match their account without the SSN?

Answer: We are currently looking into this.

Question: What is the statute of limitations on an accounts receivable, is there one?

Answer: Yes, there's a three year statute of limitations; however, the statute has to do with the period of time between identifying the overpayment condition and notifying the employee. If you send us a request to establish an accounts receivable older than 3 years, and it's authorized by your department, we'll process it.

Question: So, when we send you a 674 A/R you just assume that we started the process within the time frame and you don't question us on it? You'll just accept what we submit?

Answer: Yes, when you sign the 674 AR form you are certifying that you're following all the government codes, rules, regulations, etc. Please refer to PPM Section I 001 on A/Rs and Section I 015 regarding the statute of limitations.

Question: Can you clarify the AB2410 listing that is received with each daily cycle in Payroll. What happens if multiple separation transactions are keyed, does this affect the information on the listing?

Answer: The purpose of the daily listing is to identify and issue those lump sum payments that don't issue automatically. Without the listing, the system still identifies these situations; yet, these items go into our daily work (along with hundreds of other items) and are worked in date order. If, there are multiple transactions keyed by the department, a call from the department would help us determine what happened and what you wanted. Specifically, some of the corrects don't show up on the list. As such, the daily listing may not pick up your second transaction; (e.g., S70 correct). If the pay didn't automatically generate, we would not have that information on the listing.

Question: My manager asked me to find out if anybody has run into any problems with the new Budget letter from DOF regarding the June 30, 2003 vacant positions. Is SCO going to be auditing the 607's that are being processed or are you just going to process them based on the department's certification?

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Answer: We're not aware of any recent Budget letters regarding the June 30, 2003 vacant positions. However, we just received a copy of an email note that was sent to the departments February 7, 2004 from Bob Sands (DOF) with listings identifying those June 30, 2003 vacant positions that were deleted. Specifically, the email note identified the positions SCO deleted and positions that are reflected on our position roster file as dummy position records. Dummy position records are created whenever someone has been paid from a position that is not established. The instructions stated departments should work with SCO to delete these positions. However, the dummy records are not actually established positions, but rather, are position records reflected on the position roster file to track the money expenditure in that position. As such, do not send a STD. Form 607 to delete these records. Either send a 607 to establish the position if you have the authority/approval to add the position back to the roster, or submit a STD. Form 674 to transfer the pay to the position the employee should be paid from. You may also have to do PAR transactions to move the employee to the correct position. All payments issued from positions that are not established on the Controller's Office position roster file will appear on the Periodic Position Control Report sent out monthly as errors stating position not established.

Question: We had an employee who was returning from Military Leave mid month and wanted to start their benefit deductions up to be effective with the beginning of that same month. What should we do in this situation?

Answer: Even if this employee was not receiving an adjustment to their pay or covering other deductions, the employee has the right to change their benefit status at any time. In this case, after the employee notifies you, you submit a corrected Military Leave worksheet and a covering Std. 674 or 674 A/R. We will then take the necessary action to take the benefit deduction and remit the premium to the carrier.

Question: If an employee is leaving for Military Service, and he wants to cancel his state sponsored benefits because he wants to use his military benefits, is this OK?

Answer: Yes, the employee doesn't have to be covered with the State for their State sponsored benefits. If the employee chooses to be covered with the Military, they just don't mark the health, dental or vision on the Military Leave worksheet. Also, they don't need to cancel their benefit deductions, they will automatically start up when the employee returns.

Next Meeting:

The next Meeting is Thursday, March 11, 2004 from 1:30 to 3:30 at:

State Controller's Office
300 Capitol Mall, 6th Floor, Room 635
Sacramento, CA 95814

Listed below are the PPRC meeting dates for the remainder of the 2004 calendar year. All meetings are from 1:30 to 3:30 at the above location.

March 11, 2004
May 13, 2004
July 8, 2004
September 9, 2004
November 18, 2004

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at dward@sco.ca.gov.